

Dominion Energy South Carolina, Inc.

Allowable Ex Parte Communication Briefing

ND-2021-39-EG, Order No. 2021-694

Regarding the Cost of Gas on Natural Gas Prices and Electricity Prices and Its Impact on Customers

Public Service Commission of South Carolina
December 7, 2021

Briefing on the Following Items

1. Overview of Natural Gas Rates and Ratemaking in SC
2. Current Wholesale Gas Prices Trends and the Cause of these Trends
3. Impacts of Gas Price Trends to Purchased Gas Adjustment (PGA) By Customer Group
4. Impacts of Economic Changes on Rates via the Rate Stabilization Act (RSA)
5. Gas Cost for Electricity
6. Commission Actions in Other Jurisdictions
7. Customer Impacts by Increasing Gas Prices
8. How the PSC and utilities can help keep gas costs/prices down
9. Messaging Rate Changes

1. Overview of Natural Gas Rates and Ratemaking in SC

DESC Gas Rates Primarily Consist of 3 Components

1. Base Rate
 - Rate Stabilization Act or RSA
2. Weather Normalization Adjustment
 - WNA
3. Purchased Gas Adjustment
 - PGA or Cost of Gas

Rate Stabilization Act (RSA) Overview

- What is RSA?
 - State Law enacted in 2005 applicable to Natural Gas Companies in South Carolina
 - Generates the revenue needed to recover the cost of service (i.e., operating costs and return/rate base)
 - Operating expenses include items such as Repairs and Maintenance, Administrative Activities, Depreciation on Assets, Property Taxes and Income Taxes
 - Rate base includes items such as Additions/Improvements to Assets (i.e., mains, services, meters), Materials & Supplies, Accum. Depreciation Reserve and Accum. Deferred Income Taxes
 - Implemented by
 - Basic Facilities Charge intended to cover cost to serve customers (i.e., customer service functions, billing, meter reading, etc.)
 - Base Rate (non-fuel rate) charged per therm/dekatherm basis

Weather Normalization Adjustment (WNA) Overview

- What is WNA?
 - Implemented by Commission Order No. 91-971 in 1991
 - Designed to stabilize customer bills and rate revenues due to dramatic fluctuations in temperatures
 - Only applicable to **Residential** (Rates 32S and 32V) and **Commercial** (Rates 31 and 33) customers based on weather sensitivity
 - Only applicable during the winter billing months **(November through April)**

Season	Actual Weather Experienced	Impact on Gas Bills
Winter	Normal	No Impact
Winter	Colder than Normal	Billing Rate Decreased
Winter	Warmer Than Normal	Billing Rate Increased

Purchased Gas Adjustment (PGA) Overview

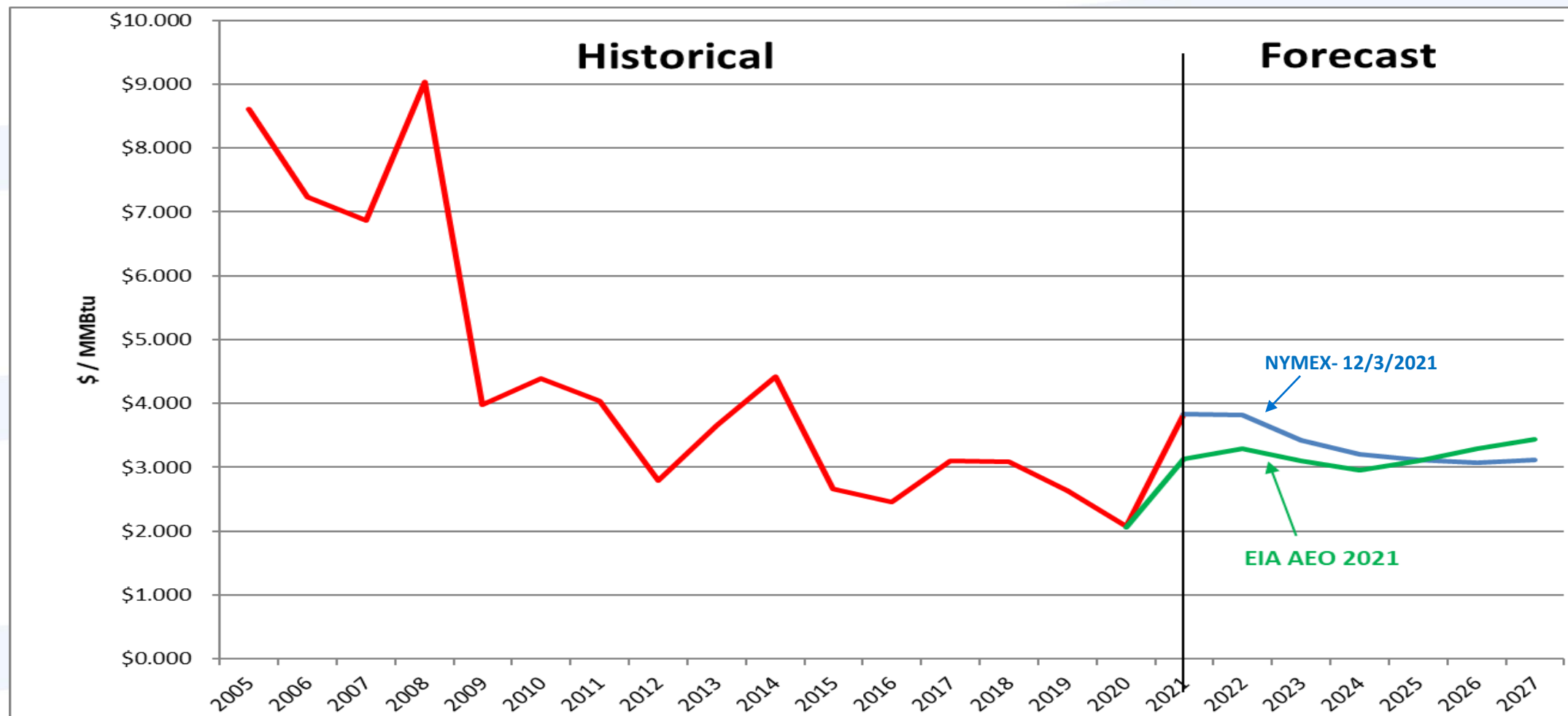
- What is PGA?
 - Recovers the cost of the natural gas, both the Commodity (molecules of gas) and Demand (transportation, storage, LNG)
 - Recalculated monthly using a 12-month rolling forecast of commodity and demand costs, and current under / over collection
 - Under collection means the cost of gas expense exceeded cost of gas revenues billed
 - Over collection means the cost of gas revenues billed exceeded cost of gas expense
 - Adjustments in PGA factors made in any month in which there is a more than \$0.04 per therm difference between current factors and recalculated factors
 - Direct \$1 for \$1 pass-through to customers without any markup

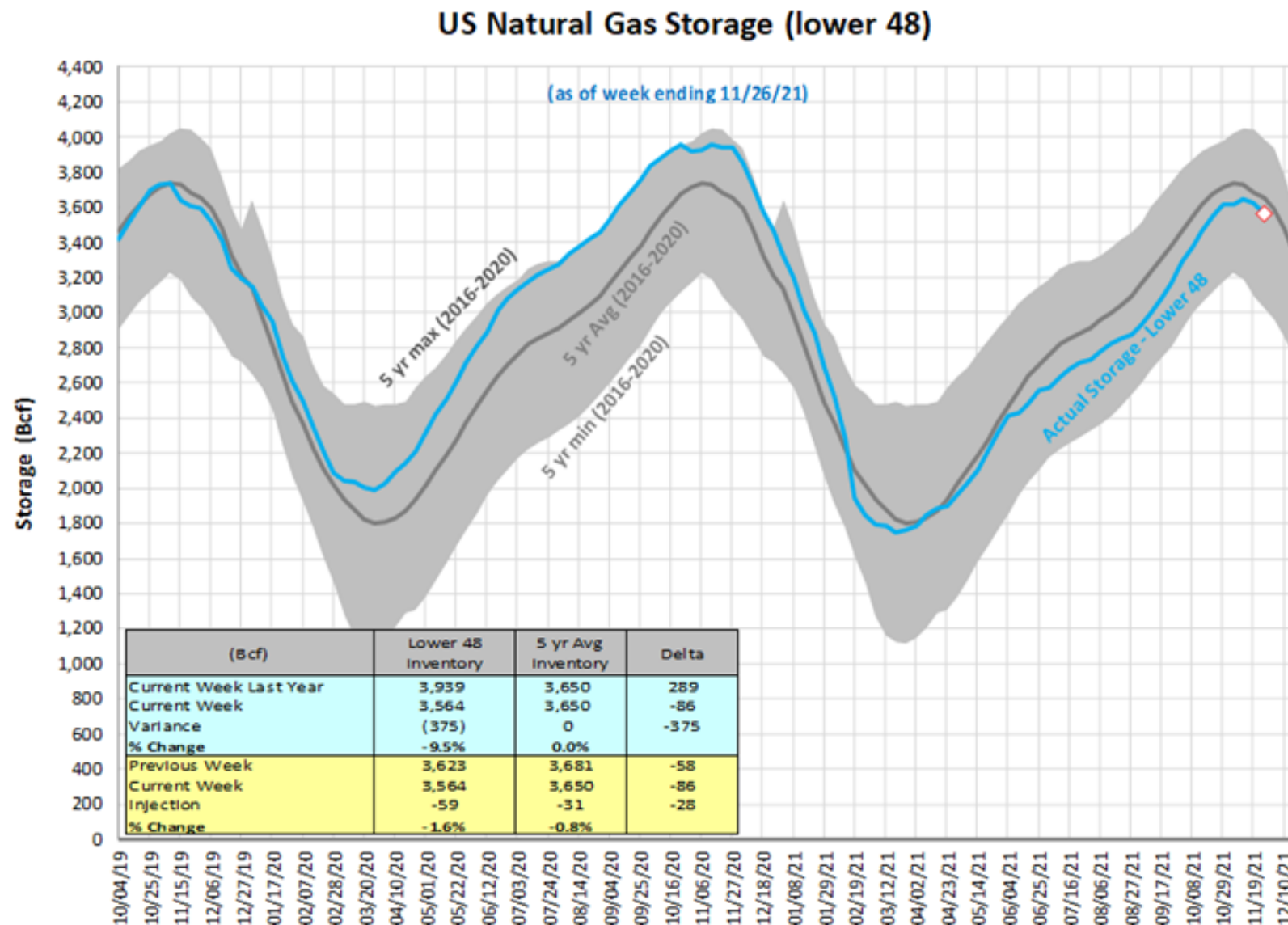
2. Current Wholesale Gas Prices Trends and the Cause of these Trends

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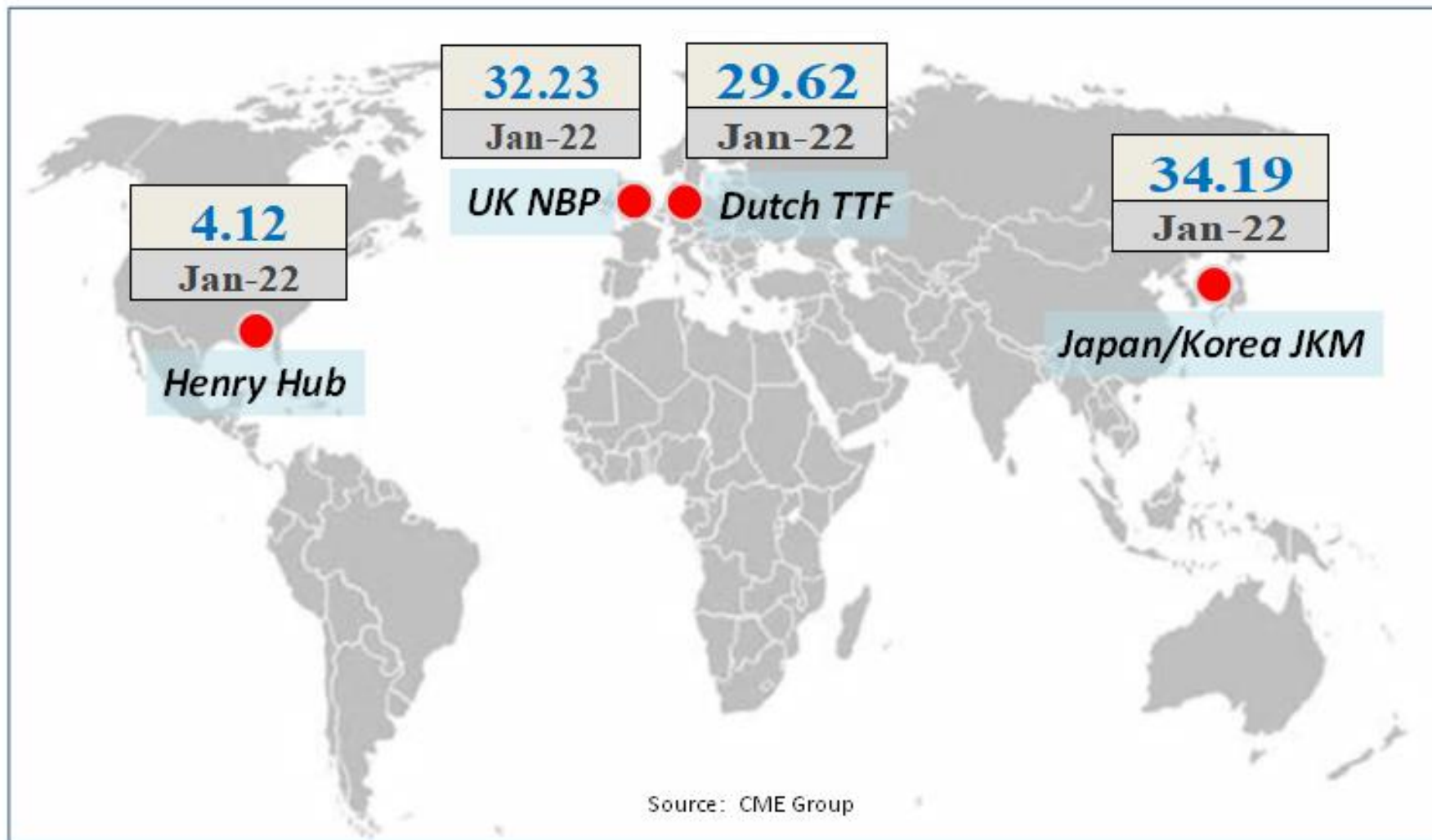


Annual Average Prices





Global Gas Hub Prompt Month Prices (\$/mmbtu): 12/03/21



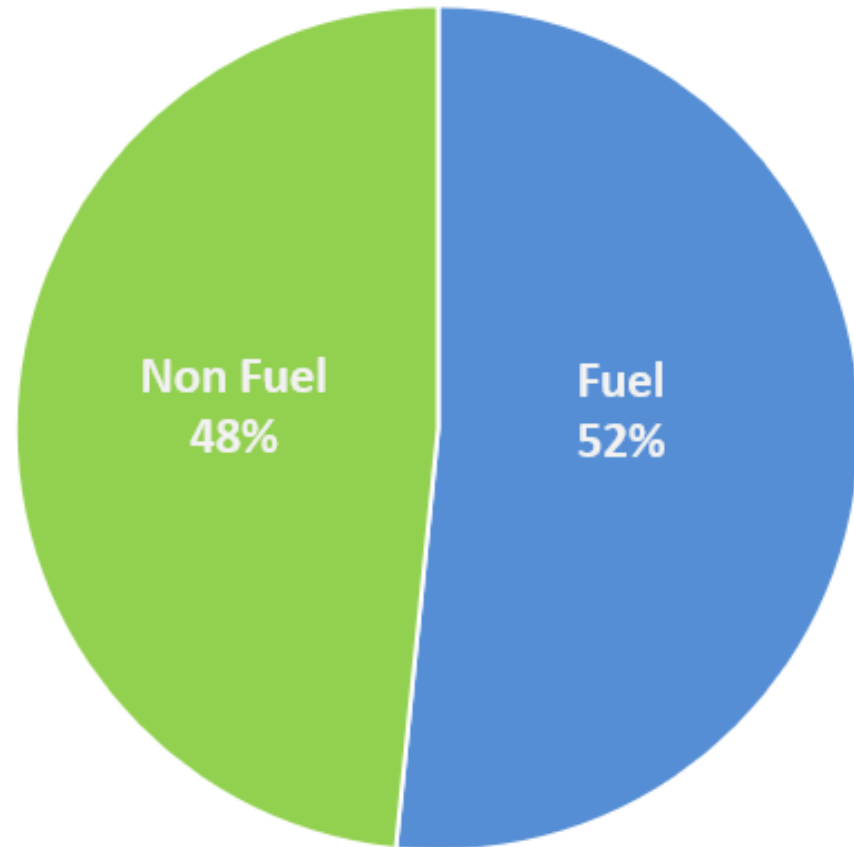
Natural Gas Market

- Current Impacts to Natural Gas Pricing
 - National Storage Levels
 - Recent Hurricane Events
 - Disrupted Oil and Natural Gas Production
 - Prolonged shut ins
 - Increased Exports for LNG
- Current prices at 2014 levels – Polar Vortex
- Shale production drives need for new pipeline capacity
 - Greenfield pipeline capacity required to ensure delivery of new shale supply
- Longer FERC timeline (5-7 years)
 - Longer timeline for local permits
 - Continued opposition delays construction & drives up costs
 - Firm transportation cost will increase dramatically

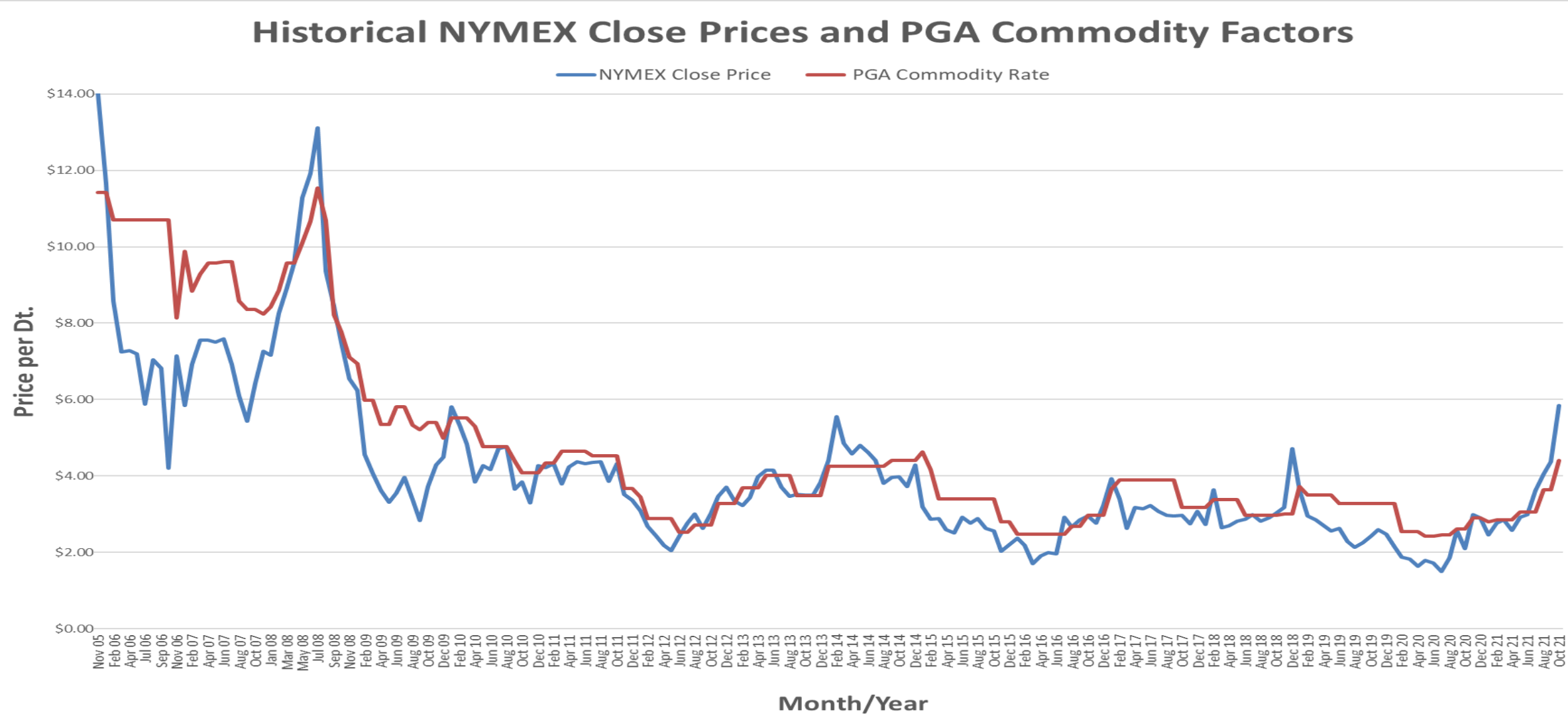
3. Impacts of Gas Price Trends to Purchased Gas Adjustment (PGA) By Customer Group

4. Impacts of Economic Changes on Rates via the Rate Stabilization Act (RSA)

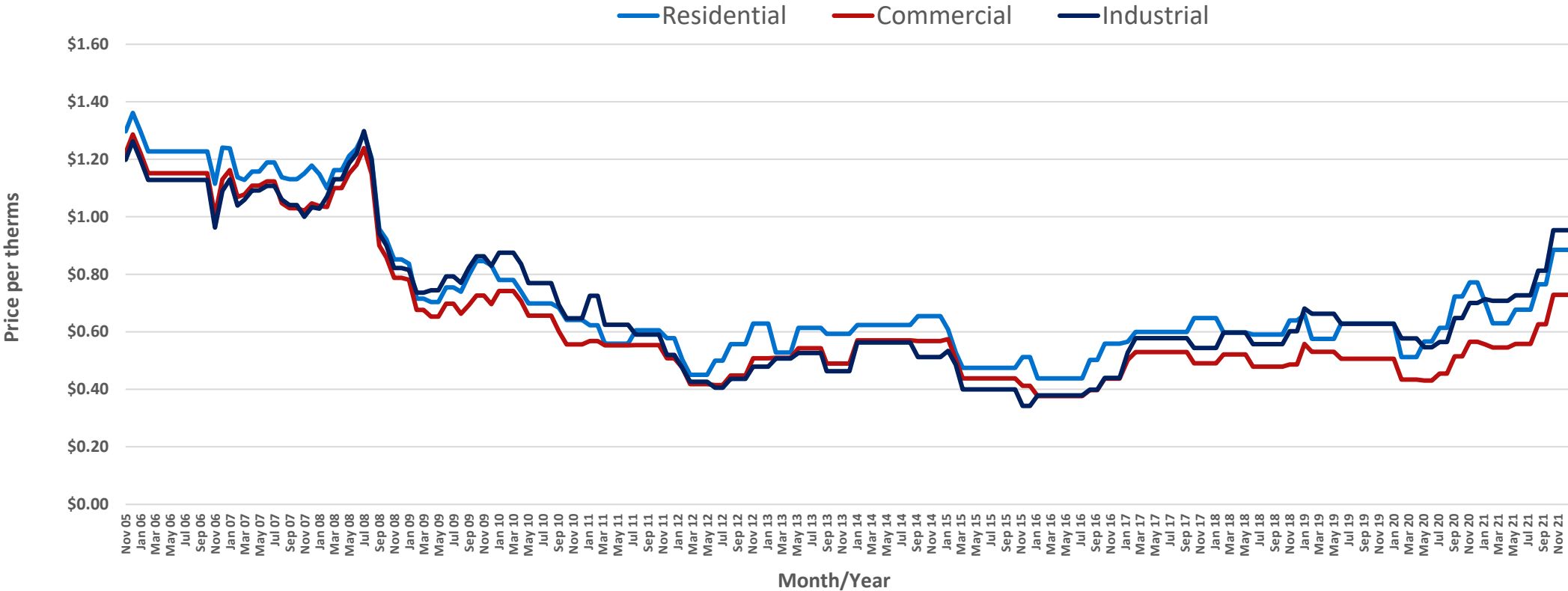
Current DESC Average Residential Natural Gas Bill



- Total is \$66.11
- Fuel cost for Avg Residential bill is currently \$34.11 which makes up approximately 52% of the bill.



Total PGA Cost of Gas by Customer Class



	Last 16 Years	Last 1 Year
Residential (Rates 32S, 32V)	-32%	15%
Commercial (Rates 31,33)	-40%	29%
Industrial (Rates 34,35)	-20%	36%

Monthly Bills based on Average Annual Usage

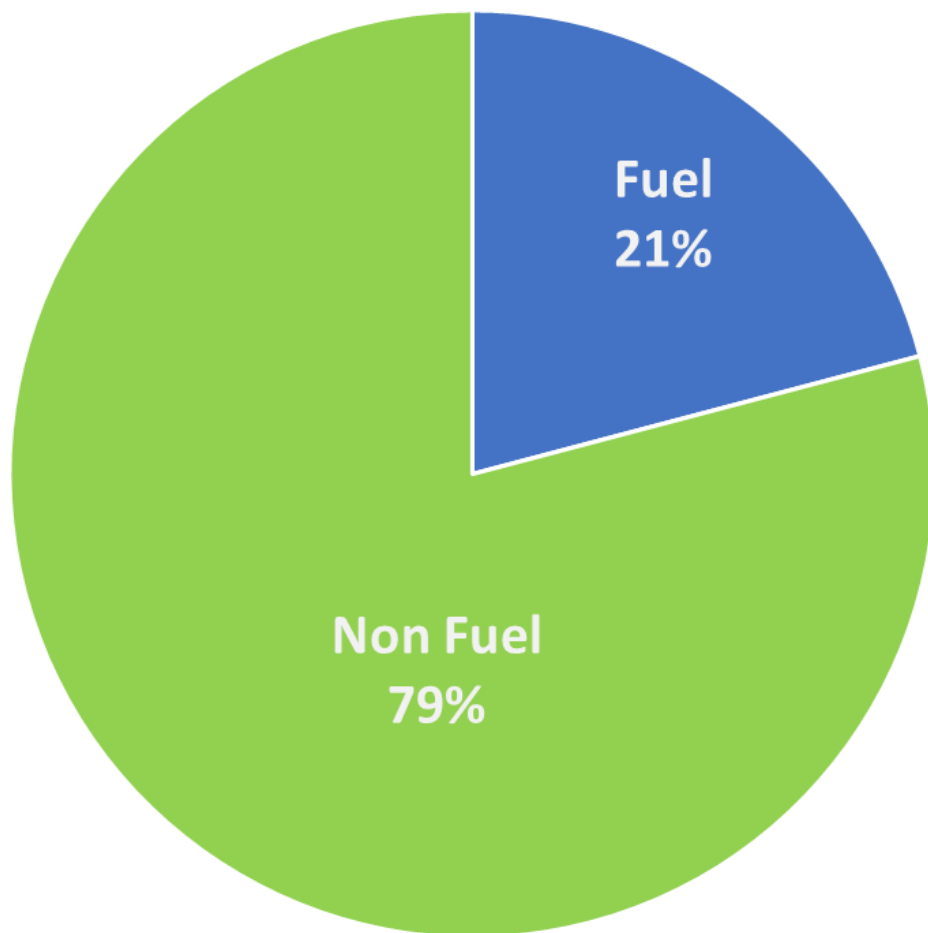
	November 2005	November 2021	16 Year Change	
Residential (Rates 32S, 32V)	\$70.09	\$65.86	-\$4.22	-6%
Commercial (Rates 31,33)	\$573.08	\$443.81	-\$129.28	-23%
Industrial (Rates 34,35)	\$11,021.93	\$9,600.12	-\$1,421.81	-13%
	November 2020	November 2021	1 Year Change	
Residential (Rates 32S, 32V)	\$60.20	\$65.86	\$5.66	9%
Commercial (Rates 31,33)	\$381.12	\$443.81	\$62.69	16%
Industrial (Rates 34,35)	\$7,542.37	\$9,600.12	\$2,057.75	27%

5. Gas Cost for Electricity

6. Commission Actions in Other Jurisdictions

7. Customer Impacts by Increasing Gas Prices

Current DESC 1,000 kWh Rate 8 Residential Bill



- Total is \$125.92
- Fuel cost per 1,000 kWh is currently \$26.32 which makes up approximately 21% of the bill.

Gas Cost For Electricity

- DESC Total Base Fuel Cost for calendar year 2020 = \$483.7 Million
- Of this total, approximately \$190.4 Million, or 39%, was attributable to natural gas commodity cost.
- 2020 average natural gas purchase cost was \$2.49 per dekatherm

2020 DESC Fuel Cost Data			
Fuel type	% of Capacity (in MW)	% of Energy (in kWh)	% of Cost (in \$)
Nuclear	12%	22%	8%
Coal *	30%	16%	29%
Gas Commodity	44%	49%	39%
Gas Transportation			11%
Purchased Power (Solar) **	0%	7%	10%
Purchased Power (Non-solar) **	0%	2%	2%
Oil	0%	0%	1%
Hydro	14%	4%	0%

* Includes Williams Station (SC GENCO)

** Excluded from capacity because it is not a Company resource

Gas Cost Impact On Residential Bills - Example

Based upon a calendar year 2020 gas dispatch, a \$1 increase in natural gas commodity costs would have resulted in approximately \$90 million in additional fuel costs

- Calendar Year 2020 Retail Sales: 20,914.7 GWh
- $\$90 \text{ M} \div 20,914.7 \text{ GWh} = \0.00434 per kWh
- $\$0.00434 \text{ per kWh} \times 1,000 \text{ kWh} = \4.34

Based upon a calendar year 2020 gas dispatch, a \$1 increase in natural gas commodity costs would translate to a \$4.34 increase in the Residential 1,000 kWh bill

8. How the PSC and utilities can help keep gas costs / prices down

Home Energy Check-up

Tier 1 - In-home or virtual visit *FREE!*

- Virtual visit via video or phone call.
- COVID-19 safety precautions required for all in-home visits.
- Visual inspection by BPI-certified energy expert
- Custom report with steps to improve home's overall energy usage
- Energy education and practical tips
- **Energy efficiency measures provided or installed, as applicable**
 - 5 LED bulbs
 - Water heater wrap
 - Pipe insulation
 - Kitchen faucet aerator

Tier 2 - Home Energy Check-up Plus *NEW!*

- Referrals from Tier 1.
- Rebates @ 75% of cost for Air Sealing, Attic insulation and Duct sealing/insulation
- Customer pays 25% of cost
- Capped at \$3,200 of total cost

Sign-up online at www.dominionenergy.com or call 877-510-7234.

**Looking to
Reduce
your
Energy Usage
and
Save Money?**

Learn how with a
FREE Home Energy Check-up!



In a couple of hours
(or less) and we'll show you
how to **save energy and money**
for years to come!

Through the convenience of an in-home consultation,
video chat or telephone, our **FREE Home Energy Check-up***
includes valuable energy-saving information on:

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Through the convenience of an in-home consultation,
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includes valuable energy-saving information on:

Energy-Saving Information

- Thermostat Usage/Settings
- Attic Insulation Levels
- Heating and Cooling Systems/
Ductwork
- Caulking/Weather Stripping on
Windows and Doors
- Water Heater Temperature Settings

Installed Products* *(depends on your home)*

- LED bulbs
- Kitchen Faucet Aerator
- Water Heater Tank Wrap
- Water Heater Pipe
Insulation

Home Energy Check-up is highly recommended for homes 10
years and older and is available to homeowners and renters.

We'll also provide you with a customized report specific
to your home and information on how to access our
online tools and resources.

Sign up TODAY at
DominionEnergySC.com/HomeCheckup
or call **1-877-510-7234, Option #2.**

*Available to Dominion Energy South Carolina residential electric
customers. Installed products are not guaranteed and may vary
depending on recommendations of the Energy Expert. Visit
DominionEnergySC.com/HomeCheckup for complete details.

9. Messaging Rate Changes

Messaging Rate Changes

- Fuel statute requires that customers are noticed of increases (S.C. Code Ann. § 58-27-865); Company practice has been to notice customers of any changes to fuel rates, whether up or down.
- Notices are usually furnished by bill inserts, or bill notifications for customers receiving electronic bills. See:
<https://www.dominionenergy.com/south-carolina/billing/understand-my-bill/billing-inserts>
- All Gas and Electric Rates & Tariffs are available online at
www.dominionenergy.com/south-Carolina/rates-and-tariffs

Thank You.

Appendix – Documents Referenced

1. **Commission Order No. 91-971 (WNA):** <https://dms.psc.sc.gov/Attachments/Order/78681a39-fadd-5377-4d1b2235dd041276>
2. **DESC Electric and Gas Rates:** <https://www.dominionenergy.com/south-Carolina/rates-and-tariffs>
3. **DESC Bill Inserts:** <https://www.dominionenergy.com/south-carolina/billing/understand-my-bill/billing-inserts>
4. **EIA (Energy Information Administration):** <https://www.eia.gov/dnav/ng/hist/rngwhhdA.htm>
5. **NYMEX (New York Mercantile Exchange):** <https://www.cmegroup.com/markets/energy/natural-gas/natural-gas.quotes.html>
6. **AEO (Annual Energy Outlook):** <https://www.eia.gov/outlooks/aeo>
7. **Natural Gas Storage:** <https://ir.eia.gov/ngs/ngs.html>
8. **Global Gas Hub Prompt Month Prices:** <https://www.cmegroup.com/markets/energy/natural-gas/lng-japan-korea-marker-platts-swap.html>, <https://www.cmegroup.com/markets/energy/natural-gas/dutch-ttf-natural-gas-usd-mmbtu-icis-heren-front-month.quotes.html>, <https://www.cmegroup.com/markets/energy/natural-gas/uk-nbp-natural-gas-usd-mmbtu-icis-heren-front-month.quotes.html>, <https://www.cmegroup.com/markets/energy/natural-gas/natural-gas.quotes.html>
9. **S.C. Code Ann. § 58-27-865:** [Code of Laws - Title 58 - Chapter 27 - Electric Utilities And Electric Cooperatives \(scstatehouse.gov\)](http://scstatehouse.gov)

Appendix – Documents Referenced

10. Recent News Releases promoting & informing customers of energy efficiency tips and programs through Dec. 1:

- [Dominion Energy South Carolina Offers Tips to Help Customers Get Ready for Winter 2021](#)
- [Big Savings Possible for Small Businesses and Nonprofits With Dominion Energy South Carolina Incentive Program](#)
- [Dominion Energy South Carolina Offers HVAC Rebate Program](#)
- [Dominion Energy South Carolina Offers Tips for Managing Summer Energy Costs](#)
- [Save During the Summer With Dominion Energy South Carolina's EnergyWise Savings Store](#)
- [Dominion Energy South Carolina Celebrates Milestone of Recycling 20,000 Customer-Owned Appliances](#)
- [Dominion Energy South Carolina Expands Small Business Energy Solutions Program](#)
- [Dominion Energy Reminds Customers About Ways to Save During Energy Action Month](#)
- [Dominion Energy Offers Agribusinesses New Financial Incentives to Reduce Their Energy Usage](#)